



## TENNESSEE REGISTRY OF ELECTION FINANCE

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### **Contribution Audit of Representative Dolores Gresham Pre-General 2006**



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# STATE OF TENNESSEE



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October 3, 2007

Members of the Registry of Election Finance  
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Ladies and Gentlemen,

Transmitted herewith is the agreed upon procedures for the un-itemized contribution audit of Representative Dolores Gresham's Pre-General Campaign Financial Disclosure Statement for her 2006 election campaign for the House of Representatives. This audit was conducted pursuant to the requirements of Section 2-10, *Tennessee Code Annotated*, the Comprehensive Governmental Ethics Reform Act of 2006.

The procedures were developed to aid the Registry of Election Finance in its responsibilities to monitor and enforce Tennessee's Campaign Financial Disclosure Law and Campaign Contribution Limits Law. The candidate is responsible for complying with campaign finance laws and the accuracy of campaign financial disclosures. The sufficiency of these procedures is solely the responsibility of the Registry's internal audit group. Consequently, we make no representation regarding the sufficiency of the agreed upon procedures described in the report for any other purpose than aiding the Registry.

This report is intended for the information and use of the Members of the Tennessee Registry of Election Finance as outlined; and is not intended to be and should not be used by anyone other than the Registry without understanding the objectives, purposes, and underlying assumptions. However, this report is a matter of public record.

Sincerely,

Jay Moeck, CPA, CFE  
Audit Manager

STATE OF TENNESSEE  
REGISTRY OF ELECTION FINANCE

**Audit Highlights**  
Representative Dolores Gresham  
2006 Pre-General Contribution Audit

**AUDIT OBJECTIVES**

The objectives of the audit were to determine Representative Dolores Gresham's compliance with certain provisions of campaign finance disclosure laws and regulations; compliance with certain provisions of campaign contribution limits laws and regulations; accuracy and completeness of the un-itemized contribution disclosures on her 2006 Pre-general Campaign Financial Disclosure Statement; and to recommend appropriate actions to correct any deficiencies.

**FINDINGS**

**1. Rep. Gresham failed to itemize a contribution from an individual who contributed more than \$100.00 during the reporting period.** Rep. Gresham did not itemize all contributions from an individual who contributed a total amount of more than one hundred dollars (\$100.00) during the pre-general reporting period. The \$150.00 contribution is approximately 3% of the un-itemized contributions reported by the candidate. The improper classification violated T.C.A. §2-10-107(a)(2)(A)(i).

**2. Rep. Gresham did not properly maintain her campaign records to verify her compliance with campaign finance statutes.** Rep. Gresham did not maintain sufficient un-itemized contribution campaign records to verify compliance with all campaign finance statutes. The campaign records were not sufficient to associate \$200.00 or approximately 3% of the candidate's reported un-itemized contributions to specific contributors for the 2006 pre-general report.

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## INTRODUCTION

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### **AUDIT AUTHORITY**

In February 2006, the Tennessee Legislators and Governor Phil Bredesen enacted the “Comprehensive Governmental Ethics Reform Act of 2006,” which amended Tennessee’s campaign finance disclosure laws and duties of the Registry of Election Finance. The legislation established the audits of campaign disclosure reports. *Tennessee Code Annotated* (T.C.A.) §§2-10-206 and 2-10-212 authorize the Registry of Election Finance (Registry) to conduct audits of campaign finance disclosure statements filed with the Registry. The audit was initiated based on T.C.A. §2-10-212(i), which requires the Registry to audit any candidate that files a disclosure statement with more than 30% of the candidate’s contributions reported as un-itemized contributions and the un-itemized contributions were greater than \$5,000.00.

### **AUDIT PURPOSE**

The Registry’s contribution audits were developed to assist and encourage candidate compliance with campaign disclosure laws. The audit process assists the Registry in providing timely and accurate campaign information to government officials and the general public. The Registry’s audits provide a tool to the Registry to evaluate the effectiveness of the campaign financial disclosure process. In addition, the audits assist the Registry with the enforcement of campaign finance limit laws and campaign finance disclosure laws. Finally, the audit reports are intended to assist the candidate and the State of Tennessee with promoting governmental accountability and integrity.

### **AUDIT SCOPE**

Tennessee’s campaign financial disclosure law requires candidates to make biannual financial disclosures as of the date of the first contribution or first expenditure, whichever occurs earlier. The biannual report periods are from January 16 to June 30 and July 1 to January 15 of each year. During an election year, the disclosures expand to quarterly reports, pre-primary reports, and pre-general reports. This audit relates to disclosures made subsequent to the passage and approval of the Comprehensive Governmental Ethics Reform Act of 2006. The act was approved on February 15, 2006. In addition, the audit relates to only disclosure reports that meet the requirements listed in T.C.A. §2-10-212(i). Therefore, the audit reviewed only Rep. Gresham’s disclosures on her 2006 pre-general report.

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## CAMPAIGN OVERVIEW

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### CAMPAIGN ORGANIZATION

Rep. Gresham was a candidate in the November 7, 2006 general election for the House of Representatives for district 94. Rep. Gresham filed an Appointment of Political Treasurer Statement with the Registry on January 4, 2005 appointing Alex Armour as political treasurer.

Rep. Gresham's first financial disclosure for the 2006 campaign was the 2005 early supplemental report filed on January 23, 2006. The candidate's concluding financial disclosure report for the 2006 election was the 2006 fourth quarter report filed on January 18, 2007 and amended on March 30, 2007. The 2006 fourth quarter report indicated \$21,122.00 in cash on hand, \$0.00 in outstanding obligations, and \$15,194.00 in outstanding loans. The candidate completed her reporting requirements for the 2006 election campaign as of March 2007 when her remaining balance was transferred to her 2008 election campaign.

### OVERVIEW OF FINANCIAL ACTIVITIES

The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2005 early supplemental, 2006 first quarter, 2006 second quarter, 2006 pre-primary, 2006 third quarter, 2006 pre-general, and 2006 fourth quarter reports after amendments. As noted in the audit scope, we only audited the un-itemized contributions from disclosures for the 2006 pre-general report. The amounts displayed are for informational purposes only.

#### Summary of Financial Activity (Un-audited Amounts)

Cash on hand at January 1, 2005		\$12,392.24	<b>1</b>
Receipts			
Itemized	\$23,275.00		
Un-itemized	21,929.00		
Interest	0.00		
Loans receipted	0.00		
Total receipts		<u>\$45,204.00</u>	
Disbursements			
Itemized	35,005.46		
Un-itemized	1,268.78		
Loans principal payments	200.00		<b>2</b>
Total disbursements		<u>\$36,474.24</u>	
Cash on hand at January 15, 2006		<u>\$21,122.00</u>	
Loans outstanding at January 15, 2006		\$15,194.00	<b>2</b>
Obligations at January 15, 2006		\$0.00	
Total in-kind contributions received		\$1,000.00	

**1** The cash balance at 1/1/2005 was funds transferred from the candidate's 2004 campaign.

**2** A loan balance of \$15,384.00 was transferred from the candidate's 2004 campaign.

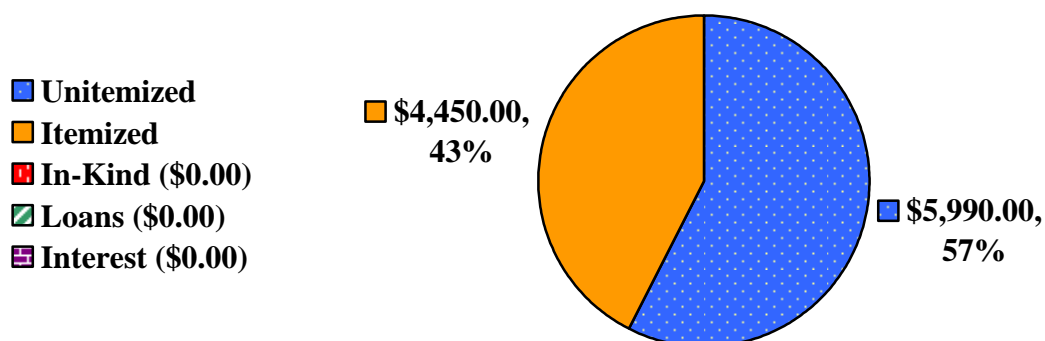
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## CHARTS

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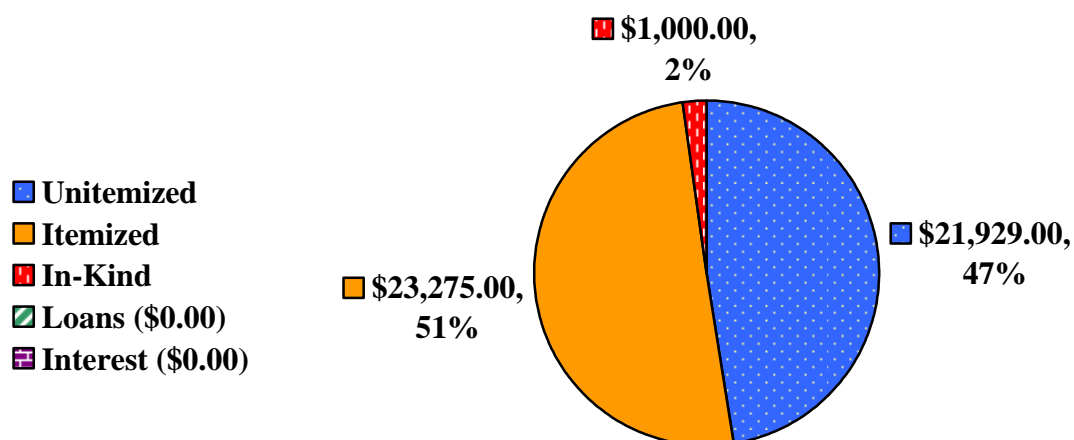
### 2006 PRE-GENERAL CONTRIBUTIONS

The following chart shows the contributions reported by the candidate in the 2006 pre-general report.



### 2006 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2006 election campaign.



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## OBJECTIVES, METHODOLOGIES, CONCLUSIONS

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### **UN-ITEMIZED CONTRIBUTIONS AND RECEIPTS**

#### ***Audit Objectives:***

The objectives of our audit of un-itemized contributions were to determine whether:

- campaign contributions from individuals and Political Action Committees (PAC) were within limits;
- all contributions were from non-prohibited sources;
- all contributions received were reported, reported in the proper period, reported in compliance with T.C.A. §§2-10-105 and 2-10-107, and reported in compliance with the Registry's rules; and
- all contributions were supported by bank statements and deposit slips.

#### ***Audit Methodology:***

The Registry obtained Rep. Gresham's 2006 Pre-General Campaign Financial Disclosure Statement Amended on November 2, 2006 to verify that the un-itemized contributions were greater than \$5,000.00 and 30% of the total contributions reported. We requested Rep. Gresham to provide supporting documentation for the un-itemized contributions of \$5,990.00 that she reported on her pre-general report. Rep. Gresham's campaign records for the pre-general report included her bank statements, photocopies of contribution checks, and contributor lists. The following steps were performed on Rep. Gresham's campaign documentation:

- The documentation was reviewed to determine if the candidate's un-itemized contributions received from October 1, 2006 thru October 28, 2006 totaled \$5,990.00.
- A list of un-itemized contributions was prepared and compared to the candidate's bank statements to determine if the candidate deposited all funds into a campaign bank account and properly recorded the funds.
- A list of un-itemized contributions by contributor was prepared and compared to the candidate's itemized contributions reported during the election to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. §2-10-301, et seq.

- An un-itemized contributions list was reviewed to determine if all contributions were reported, all receipts received were reported, all contributions were reported in the proper period, all contributions were reported in compliance with T.C.A. §§2-10-105 and 2-10-107, and all contributions were in compliance with the Registry's rules.

### ***Audit Conclusion:***

Rep. Gresham's 2006 Pre-General Campaign Financial Disclosure Statement reported un-itemized contributions greater than \$5,000.00 and 30% of the total contributions. The campaign records indicated that Rep. Gresham deposited the un-itemized contributions that she reported on her pre-general report into her campaign account. The review of Rep. Gresham's un-itemized contributions indicated that one contribution disclosed as an un-itemized contribution should have been disclosed as an itemized contribution (Finding 1). In addition, the review indicated that Rep. Gresham did not maintain sufficient campaign records to document compliance with campaign finance statutes for \$200.00 of her un-itemized contributions (Finding 2). The details of these violations are discussed in the findings below.

### **FINDINGS**

#### **1. Rep. Gresham failed to itemize a contribution from an individual who contributed more than \$100.00 during the reporting period.**

Rep. Gresham did not itemize a \$150.00 contribution received from one individual (was included in un-itemized contributions) on her 2006 Pre-General Campaign Financial Disclosure Statement Amended on November 2, 2006. T.C.A. §2-10-107(a)(2)(A)(i) requires contributions of more than \$100.00 from one source received during a reporting period to be itemized. The itemized information for each contributor must include name, address, occupation, employer, date of receipt, and amount of the contribution. The contribution represented approximately 2% of the un-itemized contributions reported on Rep. Gresham's 2006 pre-general report.

#### **2. Rep. Gresham did not properly maintain her campaign records to verify her compliance with campaign finance statutes.**

Rep. Gresham did not maintain sufficient un-itemized contribution campaign records to verify compliance with all campaign finance statutes. Rep. Gresham's campaign records indicated that she received anonymous cash contributions totaling \$200.00. She explained that these funds were collected during a fundraiser. A volunteer was collecting donations at the door and recording the contribution information. During the rush of getting people into the event, two \$100.00 bills were left on a desk without the donors being observed or recorded. The funds were then deposited into the campaign account as anonymous un-itemized cash contributions. Without the specific contributor name and amounts contributed, we could not determine Rep. Gresham's compliance with the following campaign finance statutes for the \$200.00 anonymous cash contribution:

- T.C.A. §2-10-107(a)(2)(A)(i) requires contributions of more than \$100.00 from one source received during a reporting period to be itemized. The itemized information

for each contributor must include name, address, occupation, employer, date of receipt, and amount of contribution.

- T.C.A. §2-10-302 establishes limits on contributions to candidates from a person or multicandidate committee (PAC).
- T.C.A. §2-10-311(a) limits cash contributions to \$50.00 per election for each contributor.

### **RECOMMENDATION TO CANDIDATE**

Rep. Gresham should amend her 2006 Pre-General Campaign Financial Disclosure Statement Amended on November 2, 2006 to ensure that she reported all individuals that contributed more than \$100.00 during the reporting period as itemized. Rep. Gresham should ensure the campaign adopts and maintains a record-keeping system to determine the aggregate amount of contributions received per election from each contributor. Rep. Gresham should review her contributions each reporting period to make sure that all individuals that contributed more than \$100.00 during the reporting period are itemized on her campaign disclosure statements.

### **RECOMMENDATION TO REGISTRY**

We recommend the Members of the Registry consider the findings for possible further action. We recommend the Registry approve the audit performed as being sufficient and complete. Finally, we recommend the Registry post the audit report to the Registry's web site notwithstanding whether a significant penalty is assessed, as outlined in T.C.A. §2-10-212(f). The report and related findings will assist current and future candidates in understanding the audit process, the purposes of Registry rules, and types of procedures needed to comply with campaign finance laws.

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## **RESOLUTIONS**

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### **CANDIDATE'S CORRECTIVE ACTIONS**

After discussing the above findings with Rep. Gresham, she chose to take corrective action on her reports prior to the Registry's approval of the audit. The candidate amended her 2006 Pre-General Campaign Financial Disclosure Statement on September 7, 2007. The corrective actions detailed below resulted in a new aggregate amount for un-itemized contributions of \$5,840.00.

#### ***Correction Action - Finding 1:***

On her amended pre-general report, Rep. Gresham removed the \$150.00 of un-itemized contributions. The candidate chose to refund the entire contribution to the individual instead of itemizing the contribution. She provided auditors with copies of the refund check and a copy of the letter notifying the contributor of the refund. By refunding the contribution and removing the contribution from the un-itemized contributions total, Rep. Gresham eliminated the improper reporting noted in the finding.

### **REGISTRY OF ELECTION FINANCE ACTIONS**

The Members of the Registry of Election Finance reviewed the 2006 contribution audit of Rep. Gresham during the October 10, 2007 regular monthly meeting. The report contained two findings for corrective actions. The Registry voted to accept and approve the audit report with no further action.